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February 4, 2014

To: Supervisor Don Knabe, Chairman
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From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE ON FARM BILL

Executive Summary

On February 4, 2014, the Senate adopted, 68 to 32, the conference agreement to the Farm Bill (H.R. 2642), sending it to the President, who is expected to sign it into law. The bill reauthorizes the Supplemental Nutrition Assistance Program (SNAP), formerly named the Food Stamp Program, through Federal Fiscal Year (FFY) 2018. It also reauthorizes Payment in Lieu of Taxes (PILT), which helps offset lost property taxes due to Federal lands within local jurisdictions, for one year through FFY 2014. As a result, **the County should receive an estimated $1.2 million FFY 2014 PILT payment.**

The bill reduces net SNAP expenditures by an estimated $8 billion over 10 years, mainly by requiring that a Low Income Home Energy Assistance Program (LIHEAP) payment exceed $20 dollars a year to a low-income household to trigger a standard utility allowance that would increase its Federal-funded food assistance. **This change would not affect SNAP benefits to low-income persons in California, if the State were to increase the LIHEAP payment from the current 10 cents to $20 dollars a year to each SNAP household. California's Federal LIHEAP funding is far more than sufficient to finance this increase.**

Supplemental Nutrition Assistance Program (SNAP) Reauthorization

The Federal government finances the entire cost of food assistance provided to low-income persons under SNAP, which formerly was called the Food Stamp Program before 2008. The "Farm Bill" (H.R. 2642) is the legislative vehicle for reauthorizing United States Department of Agriculture (USDA) programs, including SNAP, for five years through FFY 2018.

As explained in greater detail in the January 31, 2014 Washington. D.C. update on the Farm Bill, the conference agreement on H.R. 2642 reduces net SNAP expenditures by an estimated $8 billion over 10 years, which is far less than the estimated $40 billion cut in the previous House version, but more than the $4 billion cut in the Senate version. Nearly all of the reduction in SNAP expenditures would result from the bill's new requirement that states provide a LIHEAP payment above $20 dollars a year in order to trigger a standard utility allowance (SUA) that is deducted from a household's income in calculating its SNAP benefits. <u>However, this would not reduce SNAP expenditures and benefits in California, if the State were to increase its LIHEAP payments from the current 10 cents per SNAP/CalFresh household to above $20 dollars a year. The State's FFY 2014 LIHEAP allocation of roughly $154 million is far more than sufficient to finance such an increase</u>.

The State's average monthly number of SNAP households currently is roughly 2 million. The new LIHEAP payment requirement takes effect 30 days after the date of the bill's enactment except that states are given the option to delay its implementation for current households for up to five months after the date of enactment.

<u>Other SNAP Provisions in Conference Agreement</u>

Other SNAP provisions in the conference agreement of County interest include:

- Maintains the current $90 million a year in mandatory SNAP Employment and Training (E&T) formula grant funding for states. The House bill would have reduced funding to $79 million a year;

- Provides $200 million to the USDA to fund up to 10 state pilot projects to test innovative strategies for helping SNAP recipients to obtain unsubsidized employment, increase earnings, and reduce their reliance on public assistance;

- Reduces the tolerance level for excluding small payment errors from the calculation of a state's quality error rate from the current $50 level to $37 with future adjustments for inflation; and

- Eliminates the USDA Secretary's authority to waive a SNAP quality control fiscal penalty which, otherwise, would be imposed on a state.

Payment in Lieu of Taxes (PILT) Reauthorization

The Farm Bill (H.R. 2642) also is being used as the legislative vehicle for reauthorizing mandatory PILT payments for one year through FFY 2014. The authorization for PILT payments to local governments, which help offset their lost property taxes due to nontaxable Federal lands, expired at the end of FFY 2013. The County received a PILT payment of $1.175 million in FFY 2013. The County's FFY 2014 PILT payment should exceed $1.2 million because, unlike FFY 2013, a sequestration cut will not be applied to PILT payments, which also are increased for inflation.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: All Department Heads
Legislative Strategist